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Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields

Follow-up to the outcome of the Millennium Summit

Implementation of decisions contained in the 2005 World Summit Outcome for action by the Secretary-General

Comprehensive review of governance and oversight within the United Nations and its funds, programmes and specialized agencies

Report of the Secretary-General

Summary

The present report transmits to the General Assembly the report of the Steering Committee on the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies (see A/60/883/Add.1 and 2).

The report provides an opportunity for the General Assembly to renew the system of governance and oversight within the United Nations. It recommends a series of improvements that affect both management and the governing structures that have served the Organization since its inception. Many of the recommendations are far-reaching and require careful consideration.

With regard to the review of the Office of Internal Oversight Services, the Under-Secretary-General for Internal Oversight Services will comment separately in a report entitled "Proposals for strengthening the Office of Internal Oversight Services" (A/60/901).

The terms of reference of the Independent Audit Advisory Committee were updated within this review. Proposals for their consideration have been submitted separately in document A/60/846/Add.7 since progress on this issue is needed urgently to fulfil an essential element in improving the accountability framework within the Organization, in particular for the Office of Internal Oversight Services itself.

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I. Introduction

1. In the 2005 World Summit Outcome (resolution 60/1), the General Assembly requested the Secretary-General to, inter alia, take a number of actions for strengthening the United Nations in the context of Secretariat and management reform, and to:

(a) Submit an independent external evaluation of the auditing and oversight system of the United Nations, including the specialized agencies: and the roles and responsibilities of management, with due regard to the nature of the auditing and oversight bodies in question; the evaluation would take place within the context of the comprehensive review of governance arrangements (para. 164 (b));

(b) Submit detailed proposals on the creation of an independent oversight advisory committee, including its mandate, composition, selection process and qualification of experts (para. 164 (c)).

2. The report of the Secretary-General entitled "Ethics office comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system; and the independent audit advisory committee" (A/60/568) set out proposed terms of reference for the comprehensive review of governance and oversight arrangements, which were noted by the General Assembly in its resolution 60/248.

3. Consistent with the terms of reference for the comprehensive review, the Secretary-General established the independent Steering Committee for the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies, with a membership of six international experts, to oversee the process. Consultants selected through an international competitive process performed the technical work. The report of the Steering Committee is transmitted in a letter to the Secretary-General dated 10 July 2006 (see annex I).

II. Structure and content of the report

4. Subsequently, in its resolution 60/254, the General Assembly, recalling its resolutions 57/278 A and 59/264 A, noted that there would be a separate report on the independent external evaluation of the auditing and oversight system within the United Nations, including the specialized agencies, as well as one on a comprehensive governance review. That requirement was reflected within the process of undertaking the review, and has been further satisfied through the separation of governance and oversight issues within separate volumes of the report. The report of the Steering Committee has been prepared in five volumes, as follows:

(a) Volume I. Executive summary and project scope, background and context;

(b) Volume II. Governance and oversight principles and practices;

(c) Volume III. Governance: current United Nations practices, gap analysis and recommendations;

(d) Volume IV. Oversight: current United Nations practices, gap analysis and recommendations;

(e) Volume V. Review of the Office of Internal Oversight Services.

5. Volumes I, II and III of the report of the Steering Committee are contained in addendum 1 to the present report; they provide the project framework for the comprehensive review of governance and oversight, together with the recommendations with respect to governance. Volumes IV and V of the report of the Steering Committee are contained in addendum 2 to the present report; they provide the recommendations with respect to oversight, including the review of the Office of Internal Oversight Services (OIOS).

III. Implementation of recommendations

6. The report contains many recommendations affecting the United Nations Secretariat, entities within the wider United Nations system and the governing structures of United Nations entities. The recommendations are aimed at improving governance, strengthening management effectiveness and accountability, ensuring better use of independent expert advice and strengthening the system of oversight. With respect to recommendations regarding the Secretariat, the study proposes a series of interrelated and interdependent recommendations, including:

(a) The comprehensive implementation of results-based management;

(b) The strengthening of the accountability framework for senior management;

(c) The implementation of a framework for managing risk through enterprise-wide risk management and assigning responsibility for internal controls;

(d) Twenty-three recommendations regarding OIOS, including:

(i) The prompt operationalizing of the General Assembly decision to establish IAAC;

(ii) Functional and organizational changes, including:

a. The focus of OIOS on internal audit services;

b. The transfer of investigation, evaluation and consulting services to other areas of the Secretariat.

7. Other recommendations are made that fall solely within the authority of intergovernmental organs.

8. In its report A/60/901, OIOS has presented its own proposals for strengthening OIOS and independent oversight, which for certain elements differ from the recommendations made by the independent Steering Committee. Given the status of OIOS, it is appropriate for these views to be presented without commentary thereon by the Secretary-General. In this context, the Secretary-General has prepared a series of observations on the conclusions contained in volume V of the report of the Steering Committee (see annex II). Member States are invited to carefully review the conclusions of the independent Steering Committee and the views of OIOS and to draw such conclusions as they deem appropriate.

9. If the recommendations with respect to the Secretariat are endorsed by Member States, it is proposed that the further expert studies required to implement the changes be pursued as a matter of priority, following international competitive

tendering processes. Progress in implementing those recommendations shall be reported to the General Assembly during the main part of the sixty-second session. Further details are set out below. It should be noted that the scope of the estimates do not include scope for the strengthening of OIOS, which are best made following the determination arising from paragraph 8 above.

Governance

10. The proposal to improve results-based management, as set out in recommendation 1 of volume III of the report of the Steering Committee, requires detailed analysis and the development of a plan for continuous improvement with the endorsement and participation of Member States. While much work has been done recently to improve budgetary practices, further effort is required to institutionalize results-based management; to improve the use of information on results to make better decisions; to steer effort towards clearly defined goals; and to focus on results and thus make better policy decisions and design better strategies within an overall accountability framework. Terms of reference will be prepared to seek expert advice to review and develop proposals to improve the following:

(a) The development and use of appropriate performance indicators and metrics to form the basis for measuring results, their integration into the Organization's accountability framework, budgetary processes and systems;

(b) The current budgetary processes and practices, including the strategic and programmatic framework, structure of budgetary documents and the associated reporting requirements;

(c) The provision and timeliness of information provided to the General Assembly in support of budgetary considerations;

(d) The alignment of management systems to support results-based management and the timely collection of the appropriate information to support the decision-making process;

(e) The identification and selection of supporting information technology systems;

(f) The provision and development of training materials for programme managers, financial officers and representatives of Member States within the framework of results-based management in order to make this process succeed.

11. The active participation of Member States within this process is essential, in keeping with the need to support the decision-making process of Member States within the budgetary cycle. Furthermore, the commitment to move comprehensively towards results-based management requires ongoing effort and support over the medium term, in reflection of the importance of the subject matter, the potential time frame for the measurement of results and the process of introducing improvements to the current framework.

12. It is also recalled that the General Assembly, in its resolution 60/260, requested the Secretary-General to submit a detailed proposal on strengthening the monitoring and evaluation tools in the Secretariat, taking into account recent experience in results-based budgeting. Given the conclusions of the governance and oversight review concerning both the performance of the function of monitoring and evaluation and the implementation of measures to implement comprehensive

results-based management, the Secretary-General proposes that this request be addressed following the decisions of Member States on the present report, within the context of the study on the implementation of results-based management.

13. The proposal to strengthen the accountability of executive management, as set out in recommendation 2 of volume III of the report of the Steering Committee, is considered a priority. The recommendation includes the enhancement of management structures through the creation of a management committee, supported by a secretariat, as well as further measures to review and improve the Secretariat's accountability framework for senior management.

14. Terms of reference will be prepared for an in-depth expert review of the Secretariat's accountability framework, which could also reflect the outcome of consideration by Member States of the report of the Secretary-General on accountability (A/60/846/Add.6). Under those terms of reference, the review will aim, inter alia:

(a) To assess the current policies with respect to accountability and identify any omissions and weaknesses that require strengthening;

(b) To build upon existing mechanisms and identified areas for improvement to further develop a best-practice Secretariat-specific accountability framework for application to senior management;

(c) To develop a framework and process for the open and transparent nomination and selection procedure for senior management positions that relates the qualifications and experience of candidates to available positions;

(d) To develop formal transparent methods of performance management for senior management, incorporating representation on the effectiveness of internal controls;

(e) To identify and select supporting information technology systems;

(f) To develop and provide training to senior managers on matters of accountability and performance management.

15. This review should be undertaken in concert with the review of results-based management, given the need to improve organizational accountability within the results-based management framework. It should also be undertaken in concert with the review of enterprise-wide risk management, as set out in paragraph 17 below, with respect to developing a framework for the representation of the effectiveness of internal controls.

16. Recommendations 3, 4 and 5 of volume III of the report of the Steering Committee address matters that fall strictly within the province of the intergovernmental organs, as opposed to the province of the Secretary-General. They affect the framework and working practices of expert committees and wider organs of the General Assembly, such as the Committee for Programme and Coordination, the Fifth Committee and the Advisory Committee on Administrative and Budgetary Questions. Following consideration by Member States, the Secretary-General will be pleased to work with Member States to implement resultant decisions.

Oversight

17. Proposals to establish a robust and systematic enterprise-wide risk management system and to assign responsibility for internal controls and reporting on internal control effectiveness to executive management are set out in recommendations 1 and 2, respectively, of volume IV of the report of the Steering Committee. They are interrelated and could most efficiently be implemented together. Enterprise-wide risk management is a structured and coordinated entity-wide governance approach to identify, quantify, respond to and monitor the consequences of potential events. Terms of reference will be prepared for the provision of the appropriate technical advice, including:

(a) The design of an appropriate performance-focused framework and approach to enterprise-wide risk management;

(b) The design of the required supporting structures, resource levels and reporting lines;

(c) The development of pragmatic methodologies and practices to support the framework, including the methods and practices for the setting of levels of risk tolerance for the Organization;

(d) The identification and selection of supporting information technology systems;

(e) The definition of the performance criteria employed for reviewing the effectiveness of the risk management framework in delivering the risk management objectives;

(f) The design and development of management reports; development and provision of training on risk management and internal controls for relevant staff;

(g) The development of a detailed project implementation plan.

18. Staff should be recruited to manage the project who would transition into the risk management positions as the project nears completion. A detailed progress report would be issued within the first resumed session of the sixty-second session of the General Assembly.

19. Recommendation 3 of volume IV of the report of the Steering Committee proposes the prompt implementation of the General Assembly's decision to establish the Independent Audit Advisory Committee. In order to fulfil expeditiously the requirements of General Assembly resolution 60/248, a separate report of the Secretary-General (A/60/846/Add.7) has been submitted that provides updated terms of reference for IAAC, based on the findings of the comprehensive review. In addition, the report contains modest adjustments to further refine the terms of reference following additional consultations.

20. Recommendation 4 of volume IV of the report of the Steering Committee addresses a matter that falls strictly within the province of the intergovernmental organs, as opposed to the province of the Secretary-General. It makes recommendations on the future of the Joint Inspection Unit, a body established by the General Assembly that is responsible to the General Assembly and to the legislative organs of those specialized agencies and other international organizations within the United Nations system which have accepted its statute. Following consideration by Member States, the Secretary-General will work with Member

States and the United Nations Chief Executives Board for Coordination (CEB) to assist in the implementation of resultant decisions.

21. Recommendation 5 of volume IV of the report of the Steering Committee proposes the introduction of a mechanism to ensure that gaps do not exist within the provision of oversight services for inter-agency activities. This concerns matters that fall strictly within the province of the intergovernmental organs, as opposed to the province of the Secretary-General, and further affects the role and responsibilities of OIOS, the Board of Auditors and other oversight entities within the wider United Nations system. Following consideration by Member States, the Secretary-General will work with Member States, CEB, OIOS, the Board of Auditors and other oversight entities to implement resultant decisions.

Anticipated outcomes

22. The report of the Steering Committee provides an opportunity for the General Assembly to renew the system of governance and oversight within the United Nations. The collective implementation of the recommendations within the report will have significant benefits in the following areas:

(a) Improved interaction with, and support of, intergovernmental organs and representatives of Member States;

(b) Greater transparency and accountability;

(c) Improved compliance with rules, regulations and mandates;

(d) Better notification and management of risk and improved decision-making;

(e) Greater efficiency and effectiveness in the management and use of resources;

(f) Improved organizational responsiveness.

IV. Resource requirements

23. The comprehensive review provides broad cost estimates for the implementation of its recommendations. Upon the determination by Member States of decisions on implementation, the Secretariat will prepare supporting cost estimates for consideration and review.

V. Conclusions and recommendations

24. **The General Assembly may wish to take note of the present report and its annexes, and to:**

(a) **Review in detail the attached report of the Steering Committee (see A/60/883/Add.1 and 2) for full consideration at its sixty-first session;**

(b) **Note that updated terms of reference for the Independent Audit Advisory Committee, including its mandate, composition, selection process and qualification of experts, have been submitted separately in document A/60/846/Add.7;**

(c) Endorse the proposed recommendations to:

(i) Implement results-based management;

(ii) Strengthen the accountability framework for senior management;

(iii) Implement a framework for managing risk through enterprise-wide risk management and assign responsibility for internal controls.

Annex I

Letter dated 10 July 2006 from the Steering Committee for the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies addressed to the Secretary-General

We have the honour to transmit to you the report of the Steering Committee for the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies, including the review of the Office of Internal Oversight Services (see A/60/883/Add.1 and 2).

Under the guidance of the Steering Committee, the work for its report was conducted by an expert project team from PricewaterhouseCoopers. They drew on the views of a wide range of people with experience of governance and oversight within the United Nations system. They also examined a considerable body of earlier work on governance and oversight from sources around the world.

One of the results of the review is a United Nations Code of Governance. This is intended to help all those with governance responsibilities to assess and apply best practices in governance and oversight. It is the conclusion of the Steering Committee that the Code, together with the integrated recommendations within its report, should be adopted by the component governing bodies of the United Nations system.

We suggest that the efforts to further improve governance and oversight should be made on a continuing basis. One mechanism for doing so would be a committee to keep both the Code and best practices under review.

It has been a privilege to take part in this work. The Steering Committee would like to thank the project team for their dedicated support, and to extend their gratitude to the considerable number of representatives of entities within the United Nations system who have contributed their thoughts, inputs and experiences to this review.

(*Signed*) Mervyn E. **King**
(South Africa)
Chairman

(*Signed*) Guy Almeida **Andrade**
(Brazil)

(*Signed*) Jean-Pierre **Halbwachs**
(Mauritius)

(*Signed*) Shinji **Hatta**
(Japan)

(*Signed*) Andrew **Likierman**
(United Kingdom)

(*Signed*) Kamlesh S. **Vikamsey**
(India)

Annex II

Observations of the Secretary-General with respect to the conclusions of volume V of the report of the independent Steering Committee, "Review of the Office of Internal Oversight Services"

Independent Audit Advisory Committee

1. The enactment of the decision to establish the Independent Audit Advisory Committee (IAAC) is the essential first step towards strengthening the independence, accountability and oversight of the auditing process. According to the Institute of Internal Auditors:

> "To ensure transparency and thwart collusion and conflicts of interests, best practice indicates that the internal audit activity should have a dual reporting relationship. The Chief Audit Executive should report to executive management for assistance in establishing direction, support, and administrative interface; and to the organization's most senior oversight group — typically, the audit committee — for strategic direction, reinforcement, and accountability."[a]

2. The conclusions of the report of the independent Steering Committee recommend the application of this framework within the United Nations, in full consistency with best practice.

3. The Secretary-General believes that the qualification of experts for membership of IAAC is the critical success factor to enable the Committee to meet its challenging role to provide expert technical advice to the General Assembly. This view is reflected within the report of the independent Steering Committee, as well as the report of the Secretary-General on accountability (A/60/846/Add.7), which reflected the results of consultations with both the Office of Internal Oversight Services (OIOS) and the Board of Auditors in its preparation.

Budgetary independence

4. The Secretary-General continues to seek to provide OIOS with the appropriate operational independence to undertake its role. This is especially true within the regular budget-setting process, in the course of which management has submitted the budget determined by OIOS unfettered to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for its review. Looking forward, the role of IAAC to undertake an expert technical review of the oversight budget and to advise the General Assembly through ACABQ of its findings and recommendations is a welcome improvement.

Internal audit services

5. In 1994, Member States established OIOS "to assist the Secretary-General in fulfilling his internal oversight responsibilities in respect of the resources and staff of the Organization".[b] Since then, the volume and complexity of United Nations operations has grown significantly. Now more than ever, management needs the

[a] Institute of Internal Auditors; *Frequently Asked Questions, 2005*.
[b] General Assembly resolution 48/218 B, para. 5 (c).

support and advice of competent internal audit and assurance services. This need has been endorsed by the report of the independent Steering Committee, which seeks to strengthen the internal audit services through the focus, specialism and dedication of OIOS to such services.

Investigations

6. Whatever decisions are taken with respect to the structure and reporting lines of OIOS, recent events have emphasized the need to ensure that appropriate checks and balances exist to protect staff and the Office that governs the initiation and conduct of investigations.